



## **DEPARTMENT OF TREASURY**

### **Office of the Comptroller of the Currency**

12 CFR Part 3

Docket ID OCC-2014-0012

RIN 1557-AD83

## **FEDERAL RESERVE SYSTEM**

12 CFR Part 217

Docket No. R-1488; Regulation Q

RIN 7100 AE17

## **FEDERAL DEPOSIT INSURANCE CORPORATION**

12 CFR Part 324

RIN 3064-AE13

### **Regulatory Capital Rules: Advanced Approaches Risk-Based Capital Rule, Proposed Revisions to the Definition of Eligible Guarantee**

**AGENCIES:** Office of the Comptroller of the Currency, Treasury; the Board of Governors of the Federal Reserve System; and the Federal Deposit Insurance Corporation.

**ACTION:** Joint notice of proposed rulemaking.

**SUMMARY:** The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) are seeking comment on a notice of proposed rulemaking (proposed rule) that would revise the definition of eligible guarantee as incorporated into the agencies' advanced approaches risk-based capital rule,

adopted in the agencies' July 2013 regulatory capital rule (2013 capital rule).

The agencies inadvertently limited the recognition of guarantees of wholesale exposures under the advanced approaches risk-based capital rule as incorporated into subpart E of the 2013 capital rule (advanced approaches). To address this matter, the proposed rule would remove the requirement that an eligible guarantee be made by an eligible guarantor for purposes of calculating the risk-weighted assets of an exposure (other than a securitization exposure) under the advanced approaches. The proposed change to the definition of eligible guarantee would apply to all banks, savings associations, bank holding companies, and savings and loan holding companies that are subject to the advanced approaches.

**DATES:** Comments must be received no later than June 13, 2014.

**ADDRESSES:**

Comments should be directed to:

OCC: Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments by the Federal eRulemaking Portal or e-mail, if possible. Please use the title “**Regulatory Capital Rules: Regulatory Capital, Proposed Revisions to the Definition of Eligible Guarantee**” to facilitate the organization and distribution of the comments. You may submit comments by any of the following methods:

- **Federal eRulemaking Portal—"regulations.gov"**: Go to <http://www.regulations.gov>. Enter “Docket ID OCC-2014-0012” in the Search

Box and click "Search". Results can be filtered using the filtering tools on the left side of the screen. Click on "Comment Now" to submit public comments.

- Click on the "Help" tab on the Regulations.gov home page to get information on using Regulations.gov, including instructions for submitting public comments.
- **E-mail:** [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov).
- **Mail:** Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 400 7<sup>th</sup> Street, SW., Suite 3E-218, Mail Stop 9W-11, Washington, DC 20219.
- **Hand Delivery/Courier:** 400 7<sup>th</sup> Street, SW., Suite 3E-218, Mail Stop 9W-11, Washington, DC 20219.
- **Fax:** (571) 465-4326.

*Instructions:* You must include "OCC" as the agency name and "Docket ID OCC-2014-0012" in your comment. In general, OCC will enter all comments received into the docket and publish them on the Regulations.gov Web site without change, including any business or personal information that you provide such as name and address information, e-mail addresses, or phone numbers. Comments received, including attachments and other supporting materials, are part of the public record and subject to public disclosure. Do not enclose any information in your comment or supporting materials that you consider confidential or inappropriate for public disclosure.

You may review comments and other related materials that pertain to this rulemaking action by any of the following methods:

- **Viewing Comments Electronically:** Go to <http://www.regulations.gov>. Enter "Docket ID OCC-2014-0012" in the Search box and click "Search". Comments can be filtered by Agency using the filtering tools on the left side of the screen.
- Click on the "Help" tab on the Regulations.gov home page to get information on using Regulations.gov, including instructions for viewing public comments, viewing other supporting and related materials, and viewing the docket after the close of the comment period.
- **Viewing Comments Personally:** You may personally inspect and photocopy comments at the OCC, 400 7th Street, SW., Washington, DC. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649-6700. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.
- **Docket:** You may also view or request available background documents and project summaries using the methods described above.

Board: When submitting comments, please consider submitting your comments by e-mail or fax because paper mail in the Washington, DC area and at the Board may be subject to delay. You may submit comments, identified by Docket No. R-1488, RIN 7100 AE17, by any of the following methods:

- Agency Web Site: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm>.

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments.
- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include docket number in the subject line of the message.
- Fax: (202) 452-3819 or (202) 452-3102.
- Mail: Robert de V. Frierson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room MP-500 of the Board's Martin Building (20th and C Street, NW., Washington, DC 20551) between 9:00 a.m. and 5:00 p.m. on weekdays.

FDIC: You may submit comments, identified by RIN 3064-AE13, by any of the following methods:

**Agency Website:** <http://www.fdic.gov/regulations/laws/federal/propose.html>.

Follow instructions for submitting comments on the Agency website.

- **E-mail:** [Comments@fdic.gov](mailto:Comments@fdic.gov). Include the RIN 3064-AE13 on the subject line of the message.

- **Mail:** Robert E. Feldman, Executive Secretary, Attention: Comments, Federal Deposit Insurance Corporation, 550 17<sup>th</sup> Street, NW., Washington, DC 20429.
- **Hand Delivery:** Comments may be hand delivered to the guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7:00 a.m. and 5:00 p.m.

**Public Inspection:** All comments received must include the agency name and RIN 3064-AE13 for this rulemaking. All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/propose.html>, including any personal information provided. Paper copies of public comments may be ordered from the FDIC Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226 by telephone at (877) 275-3342 or (703) 562-2200.

**FOR FURTHER INFORMATION CONTACT:**

OCC: Margot Schwadron, Senior Risk Expert, (202) 649-6982; or Roger Tufts, Senior Economic Advisor, (202) 649-6981, Capital Policy; or Carl Kaminski, Counsel, Legislative and Regulatory Activities Division, (202) 649-5490, for persons who are deaf or hard of hearing, TTY, (202) 649-5597, Office of the Comptroller of the Currency, 400 7<sup>th</sup> Street SW., Washington, DC 20219.

Board: Anna Lee Hewko, Deputy Associate Director, (202) 530-6260; Constance M. Horsley, Assistant Director, (202) 452-5239; Thomas Boemio, Manager, (202)-452-2982; Andrew Willis, Senior Financial Analyst, (202) 912-4323; or Justyna Milewski, Financial Analyst, (202) 452-3607, Capital and Regulatory Policy, Division of Banking Supervision and Regulation; or Benjamin McDonough, Senior Counsel, (202) 452-2036; April C. Snyder, Senior Counsel, (202) 452-3099; Christine Graham, Counsel, 202 452

3005; or Mark Buresh, Attorney, (202) 452-5270, Legal Division, Board of Governors of the Federal Reserve System, 20th and C Streets, NW., Washington, DC 20551. For the hearing impaired only, Telecommunication Device for the Deaf (TDD), (202) 263-4869.

FDIC: Bobby R. Bean, Associate Director, [bbean@fdic.gov](mailto:bbean@fdic.gov); Ryan Billingsley, Chief, Capital Policy Section, [rbillingsley@fdic.gov](mailto:rbillingsley@fdic.gov); Benedetto Bosco, Capital Markets Policy Analyst, [bbosco@fdic.gov](mailto:bbosco@fdic.gov), Capital Markets Branch, Division of Risk Management Supervision, [regulatorycapital@fdic.gov](mailto:regulatorycapital@fdic.gov) or (202) 898-6888; or Mark Handzlik, Counsel, [mhandzlik@fdic.gov](mailto:mhandzlik@fdic.gov); Michael Phillips, Counsel, [mphillips@fdic.gov](mailto:mphillips@fdic.gov); or Rachel Ackmann, Attorney, [rackmann@fdic.gov](mailto:rackmann@fdic.gov); Supervision Branch, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW., Washington, DC 20429.

## **SUPPLEMENTARY INFORMATION:**

### **I. Proposed Rule**

In 2013, the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) comprehensively revised and strengthened the capital regulations applicable to banking organizations (2013 capital rule).<sup>1</sup> Among other changes, the 2013 capital rule revised the methodologies for calculating risk-weighted assets, including aspects of the standardized approach for calculating risk-weighted assets established by the Basel Committee on Banking Supervision (BCBS) through its international framework for regulatory capital in subpart

---

<sup>1</sup> 78 FR 55340 (September 10, 2013) (FDIC) and 78 FR 62018 (October 11, 2013) (OCC and Board). On April 8, 2014, the FDIC adopted as final the 2013 revised capital rule, with no substantive changes.

D of the 2013 capital rule (standardized approach). The agencies amended the advanced approaches risk-based capital rule consistent with agreements reached by the BCBS, and incorporated the advanced approaches rule into subpart E of the 2013 capital rule (advanced approaches).<sup>2</sup>

The agencies' 2013 capital rule included a definition of eligible guarantee for purposes of both the standardized approach and the advanced approaches and introduced the definition of "eligible guarantor." The definition included the requirement that an eligible guarantee be provided by an eligible guarantor. An eligible guarantor under the 2013 capital rule is a sovereign, the Bank for International Settlements, the International Monetary Fund, the European Central Bank, the European Commission, a Federal Home Loan Bank, the Federal Agricultural Mortgage Corporation (Farmer Mac), a multilateral development bank (MDB), a depository institution, a bank holding company, a savings and loan holding company, a credit union, a foreign bank, or a qualifying central counterparty. It may also be an entity (other than a special purpose entity) that at the time the guarantee is issued or anytime thereafter, has issued and has outstanding an unsecured debt security that is investment grade; whose creditworthiness is not positively correlated with the credit risk of the exposures for which it has provided guarantees; and that is not

---

<sup>2</sup> See BCBS, "Basel II: International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (November 2005 and revised in June 2006), available at <http://www.bis.org/publ/bcbs128.pdf>. See BCBS, "Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems" (December 2010 and revised in June 2011), available at <http://www.bis.org/publ/bcbs189.htm>. The BCBS is a committee of banking supervisory authorities, which was established by the central bank governors of the G-10 countries in 1975. More information regarding the BCBS and its membership is available at <http://www.bis.org/bcbs/about.htm>. Documents issued by the BCBS are available through the Bank for International Settlements Web site at <http://www.bis.org>.



an insurance company engaged predominately in the business of providing credit protection (such as a monoline bond insurer or re-insurer).

The agencies received comments following the release of the 2013 capital rule indicating that the revisions made to the definition of eligible guarantee changed the recognition of these guarantees for certain exposures under the advanced approaches wholesale framework. For example, several advanced approaches banking organizations noted that middle market and commercial real estate loans often involve guarantors that do not meet the definition of eligible guarantor. The guarantors are often related parties such as owners or sponsors that have not issued investment grade debt securities; nevertheless, advanced approaches banking organizations assert that such guarantees provide valuable credit risk mitigation that should be recognized under the advanced approaches. The agencies agree that the revisions to the 2013 capital rule inadvertently limited the recognition of guarantees of wholesale exposures under the advanced approaches and that these guarantees should continue to qualify as credit risk mitigants for purposes of the advanced approaches because they provide credit enhancement. Therefore the agencies propose to effectively revert to the previous treatment of eligible guarantees under the 2007 advanced approaches final rule for such exposures.<sup>3</sup>

The proposed rule would modify the definition of eligible guarantee for purposes of the advanced approaches by removing the requirement that an eligible guarantee be provided by an eligible guarantor for exposures that are not securitizations. The agencies would retain the definition of eligible guarantee in the 2013 capital rule for purposes of calculating risk-weighted assets under the standardized approach because the

---

<sup>3</sup> 72 FR 69288 (December 7, 2007).

standardized approach generally assigns a single risk weight to exposures to most corporate borrowers and guarantors and does not incorporate the definition of eligible guarantee into a risk-sensitive methodology like the advanced approaches.

An eligible guarantee for purposes of the advanced approaches would need to be in writing and also be either an unconditional guarantee or a contingent obligation of the U.S. government or its agencies, the enforceability of which is dependent upon some affirmative action on the part of the beneficiary of the guarantee or a third party (for example, meeting servicing requirements). The guarantee would also have to cover all or a pro rata portion of all contractual payments of the obligated party on the reference exposure and give the beneficiary a direct claim against the protection provider.

Additionally, the guarantee would not be unilaterally cancelable by the protection provider for reasons other than the breach of the contract by the beneficiary and would have to be legally enforceable against the protection provider in a jurisdiction where the protection provider has sufficient assets against which a judgment may be attached and enforced (except for a guarantee by a sovereign). The guarantee would require the protection provider to make payment to the beneficiary on the occurrence of a default (as defined in the guarantee) of the obligated party on the reference exposure in a timely manner without the beneficiary first having to take legal actions to pursue the obligor for payment and must not increase the beneficiary's cost of credit protection on the guarantee in response to deterioration in the credit quality of the reference exposure. Furthermore, the guarantee would not be provided by an affiliate of the banking organization, unless the affiliate is an insured depository institution, foreign bank, securities broker or dealer, or insurance company that does not control the banking organization and is subject to

consolidated supervision and regulation comparable to that imposed on depository institutions, U.S. securities broker-dealers, or U.S. insurance companies (as the case may be) and for purposes of sections \_\_.141 to \_\_.145 and of the standardized approach, the guarantee would have to be provided by an eligible guarantor.

## **II. Regulatory Analyses**

### **A. Paperwork Reduction Act (PRA)**

In accordance with the requirements of the Paperwork Reduction Act of 1995 (44 U.S.C. § 3501-3521) (PRA), the agencies may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The agencies reviewed the proposed rule and determined that the rule does not introduce any new collection of information pursuant to the PRA.

## B. Regulatory Flexibility Act Analysis

OCC: The Regulatory Flexibility Act, 5 U.S.C. 601 et seq. (RFA), requires an agency, in connection with a notice of proposed rulemaking, to prepare an Initial Regulatory Flexibility Act analysis describing the impact of the rule on small entities (defined by the Small Business Administration for purposes of the RFA to include banking entities with total assets of \$500 million or less) or to certify that the rule will not have a significant economic impact on a substantial number of small entities.

Using the SBA's size standards, as of December 31, 2013, the OCC supervised 1,195 small entities.<sup>4</sup>

As described in the **Supplementary Information** section of the preamble, the proposed rule would apply only to advanced approaches banking organizations.

Advanced approaches banking organization is defined to include a national bank or Federal savings associations that has, or is a subsidiary of a bank holding company or savings and loan holding company that has, total consolidated assets of \$250 billion or more, total consolidated on-balance sheet foreign exposure of \$10 billion or more, or that has elected to use the advanced approaches. After considering the SBA's size standards and General Principles of Affiliation to identify small entities, the OCC determined that no small national banks or Federal savings associations are advanced approaches banking

---

<sup>4</sup> The OCC calculated the number of small entities using the SBA's size thresholds for commercial banks and savings institutions, and trust companies, which are \$500 million and \$35.5 million, respectively. 78 FR 37409 (June 20, 2013). Consistent with the General Principles of Affiliation, 13 CFR 121.103(a), the OCC counted the assets of affiliated financial institutions when determining whether to classify a national bank or Federal savings association as a small entity. The OCC used December 31, 2013, to determine size because a "financial institution's assets are determined by averaging the assets reported on its four quarterly financial statements for the preceding year." See footnote 8 of the U.S. Small Business Administration's *Table of Size Standards*.

organizations. Because the proposed rule applies only to advanced approaches banking organizations, it does not impact any OCC-supervised small entities. Therefore, the OCC certifies that the proposed rule will not have a significant economic impact on a substantial number of OCC-supervised small entities.

Board: The Board is providing an initial regulatory flexibility analysis with respect to this proposed rule. As discussed above, this proposed rule would amend the definition of “eligible guarantee” in section 2 of Regulation Q (12 CFR part 217) for the purposes of calculating risk-weighted assets under the advanced approaches in Regulation Q (12 CFR part 217, subpart E).

Under regulations issued by the Small Business Administration, a small entity includes a depository institution, bank holding company, or savings and loan holding company with total assets of \$500 million or less (a small banking organization).<sup>5</sup> As of December 31, 2013, there were approximately 627 small state member banks. As of December 31, 2013, there were approximately 3,676 small bank holding companies and approximately 268 small savings and loan holding companies.<sup>6</sup>

The proposed rule would apply only to advanced approaches banking organizations, which, generally, are banking organizations with total consolidated assets of \$250 billion or more, that have total consolidated on-balance sheet foreign exposure of \$10 billion or more, are a subsidiary of an advanced approaches depository institution, or

---

<sup>5</sup> See 13 CFR 121.201. Effective July 22, 2013, the Small Business Administration revised the size standards for banking organizations to \$500 million in assets from \$175 million in assets. 78 FR 37409 (June 20, 2013).

<sup>6</sup> Under the prior Small Business Administration threshold of \$175 million in assets, as of March 31, 2013 the Board supervised approximately 369 small state member banks. As of December 31, 2012, there were approximately 2,259 small bank holding companies.

that elect to use the advanced approaches. Currently, no small top-tier bank holding company, top-tier savings and loan holding company, or state member bank is an advanced approaches banking organization, so there would be no additional projected compliance requirements imposed on small bank holding companies, savings and loan holding companies, or state member banks. The Board expects that any small bank holding companies, savings and loan holding companies, or state member banks that would be covered by this proposed rule would rely on their parent banking organization for compliance and would not bear additional costs.

The Board is aware of no other Federal rules that duplicate, overlap, or conflict with the proposed rule. The Board believes that the proposed rule will not have a significant economic impact on small banking organizations supervised by the Board and therefore believes that there are no significant alternatives to the proposed rule that would reduce the economic impact on small banking organizations supervised by the Board.

The Board welcomes comment on all aspects of its analysis. A final regulatory flexibility analysis will be conducted after consideration of comments received during the public comment period.

FDIC: The Regulatory Flexibility Act, 5 U.S.C. 601 et seq. (RFA), requires an agency, in connection with a notice of proposed rulemaking, to prepare an Initial Regulatory Flexibility Act analysis describing the impact of the proposed rule on small entities (defined by the Small Business Administration for purposes of the RFA to include banking entities with total assets of \$500 million or less) or to certify that the proposed rule will not have a significant economic impact on a substantial number of small entities.

Using the SBA's size standards, as of December 31, 2013, the FDIC supervised 1,195 small entities. As described in the Supplementary Information section of the preamble, however, the proposed rule would apply only to advanced approaches banking organizations. Advanced approaches banking organization is defined to include a state nonmember bank or a State savings association that has, or is a subsidiary of a bank holding company or savings and loan holding company that has, total consolidated assets of \$250 billion or more, total consolidated on-balance sheet foreign exposure of \$10 billion or more, or that has elected to use the advanced approaches. As of December 31, 2013, based on a \$500 million threshold, 1 (out of 3,394) small state nonmember banks and no (out of 303) small state savings associations were under the advanced approaches. Therefore, the FDIC does not believe that the proposed rule will result in a significant economic impact on a substantial number of small entities under its supervisory jurisdiction.

The FDIC certifies that the proposed rule would not have a significant economic impact on a substantial number of small FDIC-supervised institutions.

### **C. OCC Unfunded Mandates Reform Act of 1995 Determination**

The OCC has analyzed the proposed rule under the factors in the Unfunded Mandates Reform Act of 1995 (UMRA) (2 U.S.C. 1532). Under this analysis, the OCC considered whether the proposed rule includes a Federal mandate that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year (adjusted annually for inflation). As detailed in the **Supplementary Information** section, the proposed rule would revise the

definition of eligible guarantee as incorporated into the OCC's advanced approaches risk-based capital rule. In 2013, when the Federal banking agencies revised their respective risk-based capital requirements, they added a requirement that an eligible guarantee be from an eligible guarantor. This proposed rule would remove that requirement for the purposes of calculating the risk-weighted asset amount for an exposure (other than for a securitization exposure) under the OCC's advanced approaches risk-based capital rule. For example, the OCC understands that advanced approaches banking organizations commonly obtain guarantees from guarantors that do not qualify as eligible guarantors for exposures in their commercial real estate and other wholesale portfolios. Under this proposed rule, these guarantees would continue to qualify as credit risk mitigants for purposes of the wholesale framework in the advanced approaches risk-based capital rule.

This proposed rule would not increase the minimum capital requirements for any institutions subject to the OCC's risk-based capital rules. After comparing existing capital levels with the proposed requirements, and considering the burden and other compliance costs associated with the proposed changes, the OCC has determined that its proposed rule will not result in expenditures by State, local, and Tribal governments, or by the private sector, of \$100 million or more (adjusted annually for inflation). Accordingly, the OCC is not including a written statement to accompany this proposed rule.

#### **D. Plain Language**

Section 722 of the Gramm-Leach-Bliley Act requires the Federal banking agencies to use plain language in all proposed and final rules published after January 1, 2000. The agencies have sought to present the proposed rule in a simple and straightforward manner, and invite comment on the use of plain language. For example:



- Have the agencies organized the material to suit your needs? If not, how could they present the proposed rule more clearly?

- Are the requirements in the proposed rule clearly stated? If not, how could the proposed rule be more clearly stated?

- Do the regulations contain technical language or jargon that is not clear? If so, which language requires clarification?

- Would a different format (grouping and order of sections, use of headings, paragraphing) make the regulation easier to understand? If so, what changes would achieve that?

- Is this section format adequate? If not, which of the sections should be changed and how?

- What other changes can the agencies incorporate to make the regulation easier to understand?

## **List of Subjects**

### **12 CFR Part 3**

Administrative practice and procedure, Capital, National banks, Reporting and recordkeeping requirements, Risk.

### **12 CFR Part 217**

Administrative practice and procedure, Banks, Banking, Capital, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

## **12 CFR Part 324**

Administrative practice and procedure, Banks, banking, Capital Adequacy, Reporting and recordkeeping requirements, Savings associations, State non-member banks.

## **DEPARTMENT OF THE TREASURY**

### **Office of the Comptroller of the Currency**

#### **12 CFR Chapter I**

#### **Authority and Issuance**

For the reasons set forth in the preamble and under the authority of 12 U.S.C. 93a, 1462, 1462a, 1463, 1464, 3907, 3909, 1831o, and 5412(b)(2)(B), the Office of the Comptroller of the Currency proposes to amend part 3 of chapter I of title 12, Code of Federal Regulations as follows:

### **PART 3—CAPITAL ADEQUACY STANDARDS**

1. The authority citation for part 3 continues to read as follows:

Authority: 12 U.S.C. 93a, 161, 1462, 1462a, 1463, 1464, 1818, 1828(n), 1828 note, 1831n note, 1835, 3907, 3909, and 5412(b)(2)(B).

2. In §3.2, revise the definition of “eligible guarantee” to read as follows:

#### **§3.2 Definitions.**

\* \* \* \* \*

*Eligible guarantee* means a guarantee that:

- (1) Is written;
- (2) Is either:
  - (i) Unconditional, or
  - (ii) A contingent obligation of the U.S. government or its agencies, the enforceability of which is dependent upon some affirmative action on the part of the beneficiary of the guarantee or a third party (for example, meeting servicing requirements);
- (3) Covers all or a pro rata portion of all contractual payments of the obligated party on the reference exposure;
- (4) Gives the beneficiary a direct claim against the protection provider;
- (5) Is not unilaterally cancelable by the protection provider for reasons other than the breach of the contract by the beneficiary;
- (6) Except for a guarantee by a sovereign, is legally enforceable against the protection provider in a jurisdiction where the protection provider has sufficient assets against which a judgment may be attached and enforced;
- (7) Requires the protection provider to make payment to the beneficiary on the occurrence of a default (as defined in the guarantee) of the obligated party on the reference exposure in a timely manner without the beneficiary first having to take legal actions to pursue the obligor for payment;
- (8) Does not increase the beneficiary's cost of credit protection on the guarantee in response to deterioration in the credit quality of the reference exposure;

(9) Is not provided by an affiliate of the national bank or Federal savings association, unless the affiliate is an insured depository institution, foreign bank, securities broker or dealer, or insurance company that:

(i) Does not control the national bank or Federal savings association; and

(ii) Is subject to consolidated supervision and regulation comparable to that imposed on depository institutions, U.S. securities broker-dealers, or U.S. insurance companies (as the case may be); and

(10) For purposes of §§3.141 to 3.145 and of subpart D of this part, is provided by an eligible guarantor.

\* \* \* \* \*

## **Board of Governors of the Federal Reserve System**

### **12 CFR CHAPTER II**

#### **Authority and Issuance**

For the reasons set forth in the preamble, part 217 of chapter II of title 12 of the Code of Federal Regulations is proposed to be amended as follows:

#### **PART 217 – CAPITAL ADEQUACY OF BANK HOLDING COMPANIES, SAVINGS AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS (REGULATION Q)**

3. The authority citation for part 217 continues to read as follows:

**Authority:** 12 U.S.C. 248(a), 321–338a, 481-486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p–l, 1831w, 1835, 1844(b), 1851, 3904, 3906-3909, 4808, 5365, 5368, 5371.

4. The heading of part 217 is revised to read as set forth above.

5. In § 217.2, revise the definition of “eligible guarantee” to read as follows:

**§ 217.2 Definitions.**

\* \* \* \* \*

*Eligible guarantee* means a guarantee that:

- (1) Is written;
- (2) Is either:
  - (i) Unconditional, or
  - (ii) A contingent obligation of the U.S. government or its agencies, the enforceability of which is dependent upon some affirmative action on the part of the beneficiary of the guarantee or a third party (for example, meeting servicing requirements);
- (3) Covers all or a pro rata portion of all contractual payments of the obligated party on the reference exposure;
- (4) Gives the beneficiary a direct claim against the protection provider;
- (5) Is not unilaterally cancelable by the protection provider for reasons other than the breach of the contract by the beneficiary;

(6) Except for a guarantee by a sovereign, is legally enforceable against the protection provider in a jurisdiction where the protection provider has sufficient assets against which a judgment may be attached and enforced;

(7) Requires the protection provider to make payment to the beneficiary on the occurrence of a default (as defined in the guarantee) of the obligated party on the reference exposure in a timely manner without the beneficiary first having to take legal actions to pursue the obligor for payment;

(8) Does not increase the beneficiary's cost of credit protection on the guarantee in response to deterioration in the credit quality of the reference exposure;

(9) Is not provided by an affiliate of the Board-regulated institution, unless the affiliate is an insured depository institution, foreign bank, securities broker or dealer, or insurance company that:

(i) Does not control the Board-regulated institution; and

(ii) Is subject to consolidated supervision and regulation comparable to that imposed on depository institutions, U.S. securities broker-dealers, or U.S. insurance companies (as the case may be); and

(10) For purposes of §§ 217.141 to 217.145 and for purposes of subpart D of this part, is provided by an eligible guarantor.

\* \* \* \* \*

## **Federal Deposit Insurance Corporation**

### **12 CFR CHAPTER III**

#### **Authority and Issuance**

For the reasons set forth in the preamble, part 324 of chapter III of title 12 of the Code of Federal Regulations is proposed to be amended as follows:

**PART 324—CAPITAL ADEQUACY OF FDIC-SUPERVISED  
INSTITUTIONS**

6. The authority citation for part 324 continues to read as follows:

**Authority:** 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; 5371; 5412; Pub. L. 102-233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102-242, 105 Stat. 2236, 2355, as amended by Pub. L. 103-325, 108 Stat. 2160, 2233 (12 U.S.C. 1828 note); Pub. L. 102-242, 105 Stat. 2236, 2386, as amended by Pub. L. 102-550, 106 Stat. 3672, 4089 (12 U.S.C. 1828 note); Pub. L. 111-203, 124 Stat. 1376, 1887 (15 U.S.C. 78o-7 note).

7. In § 324.2, revise the definition of “eligible guarantee” to read as follows:

**§ 324.2 Definitions.**

\* \* \* \* \*

*Eligible guarantee* means a guarantee that:

(1) Is written;

(2) Is either:

(i) Unconditional, or

(ii) A contingent obligation of the U.S. government or its agencies, the

enforceability of which is dependent upon some affirmative action on the part of the

beneficiary of the guarantee or a third party (for example, meeting servicing requirements);

(3) Covers all or a pro rata portion of all contractual payments of the obligated party on the reference exposure;

(4) Gives the beneficiary a direct claim against the protection provider;

(5) Is not unilaterally cancelable by the protection provider for reasons other than the breach of the contract by the beneficiary;

(6) Except for a guarantee by a sovereign, is legally enforceable against the protection provider in a jurisdiction where the protection provider has sufficient assets against which a judgment may be attached and enforced;

(7) Requires the protection provider to make payment to the beneficiary on the occurrence of a default (as defined in the guarantee) of the obligated party on the reference exposure in a timely manner without the beneficiary first having to take legal actions to pursue the obligor for payment;

(8) Does not increase the beneficiary's cost of credit protection on the guarantee in response to deterioration in the credit quality of the reference exposure;

(9) Is not provided by an affiliate of the FDIC-supervised institution, unless the affiliate is an insured depository institution, foreign bank, securities broker or dealer, or insurance company that:

(i) Does not control the FDIC-supervised institution; and

(ii) Is subject to consolidated supervision and regulation comparable to that imposed on depository institutions, U.S. securities broker-dealers, or U.S. insurance companies (as the case may be); and



(10) For purposes of §§324.141 to 324.145 and of subpart D of this part, is provided by an eligible guarantor.

\* \* \* \* \*

Dated: April 8, 2014

---

Thomas J. Curry,

Comptroller of the Currency.

By order of the Board of Governors of the Federal Reserve System, April 11, 2014.

---

Robert deV. Frierson,  
Secretary of the Board.

Dated at Washington, D.C., this 8th day of April, 2014.

By order of the Board of Directors.

Federal Deposit Insurance Corporation.

---

Robert E. Feldman,

Executive Secretary.

[FR Doc. 2014-09452 Filed 04/30/2014 at 8:45 am; Publication Date:  
05/01/2014]